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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

VIA COURIER

4 December 1998

Magalie Roman Salas, Esq.,
Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, SW
TW-A325
Washington DC 20554

Re: *Ex Parte* Notification: Inquiry Concerning the Deployment of Advanced
Telecommunications Capability to All Americans, CC Docket No. 98-146 /
Unintended Consequences: Public Policy and Wireless Competition by Dr.
Michael L. Katz and John B. Hayes

Dear Ms. Salas:

On Thursday, December 3, 1998, Michael Katz, Principal of The Tilden Group, LLC ("Tilden"), John Hayes, Associate of Tilden, Mary McDermott, Chief of Staff and Senior Vice President, Government Relations of the Personal Communications Industry Association ("PCIA"), and Cyndi Thomas, Director, Regulatory Affairs of PCIA, met with John Berresford, Senior Antitrust Attorney of the Common Carrier Bureau's ("CCB") Industry Analysis Division, Don Stockdale, Associate Chief of CCB, Jennifer Fabian, Industry Analyst of CCB's Policy and Program Planning Division, William Rogerson, Chief Economist, Patrick DeGraba, Deputy Chief Economist, Evan Kwerel, Senior Economist, and John Williams of CCB's Office of Plans and Policy, Walter Strack, Chief Economist of the Wireless Telecommunications Bureau ("WTB"), Joe Levin of WTB's Policy Division, and Pieter van Leeuwen, Economist, and Jeff Steinberg, Attorney, of WTB's Commercial Wireless Division, to discuss the above-referenced White Paper and Section 706 proceeding.

PCIA filed the White Paper, which includes a state and local tax survey prepared by PricewaterhouseCoopers, LLP, as an *ex parte* submission in the captioned proceeding on November 12, 1998. The attached bullet points, which were distributed at yesterday's meeting, summarize the views presented on the White Paper and survey at that meeting.

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Pursuant to Section 1.1206(b) of the Commission's rules, two copies of this letter and attached bullet points are being provided for inclusion in the public record. 47 C.F.R. § 1.1206(b). If you have any questions regarding this matter, please call me at (703) 739-0300.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cynthia S. Thomas', with a large, stylized flourish extending to the right.

Cynthia S. Thomas
Director, Regulatory Affairs

cc: John Berresford
Don Stockdale
Jennifer Fabian
William Rogerson
Patrick DeGraba
Evan Kwerel
John Williams
Walter Strack
Pieter van Leeuwen
Jeff Steinberg
Joe Levin

UNINTENDED CONSEQUENCES: PUBLIC POLICY AND WIRELESS COMPETITION

By Dr. Michael L. Katz and John B. Hayes of The Tilden Group, LLC

Prepared on behalf of the Personal Communications Industry Association

- The White Paper and attached PricewaterhouseCoopers, LLP survey focus on the explicit burdens that federal, state, and local authorities choose to impose on wireless *intrastate* revenues, presenting valuable insight into one part of the overall picture of the taxes, fees, and government mandates imposed on the wireless industry.
- The White Paper also describes a host of federal public policy and regulatory mandates that force wireless carriers both to redesign and replace existing systems and equipment, and to make direct payments into funds consistent with those mandates.
- The few “readily quantifiable” taxes and fees illustrated in the White Paper can claim up to almost 25 percent of the carriers’ annual intrastate revenues, with approximately half of the surveyed markets imposing assessments quantified between 10.1 and 15 percent. Actual financial burdens are greater than those reflected in these percentages.
 - The percentages presented in the White Paper do not include the costs of several state and local taxes, *e.g.*, property taxes, franchise fees, recording taxes, that are not quantifiable.
 - The scope of the White Paper does not include the taxes and fees that wireless carriers pay on *interstate* revenues.
- Future burdens, *e.g.*, the currently delayed federal universal service high-cost fund as well as potential state universal service obligations, may well be greater than existing burdens.
- Taxes and fees raise wireless providers’ costs, which ultimately raises consumer prices in a competitive market. Higher prices suppress demand, artificially reducing the use of mobile telephones, which produces efficiency costs above the direct cost of the tax.
- Some of these taxes and fees are inherently discriminatory in the wireless context.
- These assessments harm consumers and carriers by reducing investment in wireless services, which decreases the incentives for new wireless carriers to enter the market and for existing carriers to expand their services.
- Local taxes and fees create cross-jurisdictional impacts. Each local jurisdiction within a wireless carriers’ market area imposes its own assessments. This complexity alone raises the cost of compliance for wireless carriers.
- These cumulative obligations significantly impede the development of competition and deployment of advanced telecommunications capabilities to all Americans.
- The government’s approach to wireless services taxation stands in stark contrast to the recent congressional action on Internet taxation.

December 3, 1998